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Nos. 86-495, 86-624 and 86-625

IN THE

Supreme Court of the United States

OCTOBER TERM, 1986

K MART CORPORATION;
47TH STREET PHOTO, INC.; and
THE UNITED STATES OF AMERICA,
Petitioners,

v.

CARTIER, INC.,
CHARLES OF THE RITZ GROUP, LTD., and
COALITION TO PRESERVE THE INTEGRITY
OF AMERICAN TRADEMARKS,
Respondents.

On Writs of Certiorari to the United States Court of Appeals for the District of Columbia Circuit

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AMICUS CURIAE BRIEF IN SUPPORT OF RESPONDENTS BY THE FOLLOWING CORPORATIONS: THE AMERICAN CYANAMID COMPANY, THE DIAL CORPORATION, JOHNSON & JOHNSON, KENNER PRODUCTS, INC., THE PROCTER & GAMBLE COMPANY, TONKA CORPORATION, AND WARNACO INC.

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WILSON - EPES PRINTING CO., INC. - 789-0096 - WASHINGTON, D.C. 20001

QUESTION PRESENTED

Does a corporation incorporated in the United States, owned and controlled by United States citizens, qualifying for protection under the literal language of § 526 of the Tariff Act of 1930, lose its right to exclude from the United States gray-market goods bearing that corporation's trademark because the corporation competes in foreign markets under the same trademark symbol?

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INTEREST OF THE AMICI

The following American corporations present this *amicus curiae* brief:

The American Cyanamid Company
The Dial Corporation
Johnson & Johnson
Kenner Products, Inc.
The Procter & Gamble Company
Tonka Corporation
Warnaco Inc.

These *amici* fully support the position of respondent Coalition to Preserve the Integrity of American Trademarks ("COPIAT"), and three are members of COPIAT.

This separate *amicus curiae* brief is submitted for the sole purpose of demonstrating the error of the only argument based on the statutory text offered by any petitioners.[1] That argument is presented here for the first time by anybody, and appears in the brief of petitioner, 47th Street Photo, Inc., Brief at 19-22. The argument is this: Within the meaning of § 526 of the Tariff Act of 1930, an American corporation is not "domiciled" nor "organized" in the United States, even though incorporated in one of the states, nor is its United States trademark "owned" by the corporation if the company has foreign subsidiaries, licensees, or affiliates that compete in foreign markets under the same trademark symbol; and thus, the company does not qualify for protection under § 526 against importation of gray-market goods.

This argument, if accepted, would deny the *amici* the protection of § 526. Each is organized under the laws of a state of the United States and has its principal place

[1] Accordingly, in the service of brevity, this brief presents a statement of the argument and *amici's* refutation, avoiding extensive annotation and referring summarily to points and arguments which will necessarily be developed in detail in the parties' briefs.

of business within the United States. Each competes in the United States under a registered United States trademark. None is owned or controlled by any foreign company. Each *amicus* also conducts manufacturing or sales operations under the same trademark symbol abroad, using foreign subsidiaries, licensees, and/or affiliates. *Amici* represent major United States manufacturing operations.

The interest of the *amici*, therefore, is to support the decision of the Court of Appeals, to rebut the particular argument stated by which one petitioner seeks to overturn the Court of Appeals' interpretation of the statute, and to vindicate their right to use the same trademark symbol both in the United States and abroad while retaining their right to exclude gray-market goods under § 526.

ARGUMENT

That trademarks are territorial and that territoriality provides important business and consumer benefits have been much discussed in this litigation.[2] This brief, to remain brief, does not replow that ground. Instead, it focuses upon a startling and novel argument, now first appearing in this case—or anywhere—that "[t]he statutory terms 'owned' and 'domiciled' should . . . be read as limiting Section 526 to truly independent American companies that are unaffiliated with foreign producers." *Brief of Petitioner 47th St. Photo* at 22.

No court, administrative agency, or scholarly commentator has ever suggested such an audacious theory. Accordingly, 47th Street Photo cites no case nor any other authority for its proposition, but weaves together

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[2] *See e.g.*, COPIAT v. United States, 790 F.2d 903, 909-10 (D.C. Cir. 1986) (A registered United States trademark "is the trade mark of the plaintiff only in the United States"), *quoting* A. Bourjois & Co. v. Katzel, 260 U.S. 689, 692 (1923). Thus, when a symbol that is identical to the United States trademark is used in another country, that does not involve use of the United States trademark.

general maxims from unrelated cases to argue that the words of § 526 do not mean what they literally say.[3] The contention melts under analysis.

Section 526 extends its protection to any trademark "owned by a citizen of, or by a corporation created or organized within, the United States and registered in the Patent and Trademark Office by a person domicilied in the United States . . . ."

The terms *created or organized*, *owned*, and *domiciled* have well-understood meanings. Every law student knows what it means for a corporation to be "organized" under the laws of a state. When such a corporation also has its principal place of business in this country, no one can doubt that it is "domiciled" here. Nor can anyone doubt that, when such a company adopts a trademark and registers it, that company "owns" the trademark. The fact that a corporation may have a foreign subsidiary or affiliate cannot change this conclusion. Thus, there is no room for policy-guided interpretation to alter the literal direct meaning of the statute in the manner suggested by 47th Street Photo.

This Court has recently re-emphasized that Congress is strongly presumed to have meant what its statutes clearly say. *Amoco Products Co. v. Village of Gambell*, 107 S.Ct. 1396, 1406 (1987). And in *Rodriguez v. United States*, 107 S.Ct. 1391, 1393 (1987), this Court granted certiorari and reversed a holding of little "practical effect"

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[3] 47th Street Photo's reliance on antitrust cases is unwarranted. This Court long ago held that the concept of a conspiracy in restraint of trade, as used in Section 1 of the Sherman Act, has no clear meaning but must be explicated on a case-by-case basis under "the standard of reason." Standard Oil Co. v. United States, 221 U.S. 1, 60 (1911). Similarly, Copperweld Corp. v. Independence Tube Corp., 467 U.S. 752 (1984), the case relied on by 47th Street Photo, interpreted a term that "lacks meaning," *id.* at 2742, and "did not import a common law tradition," *id.* at 2744 n.24.

simply because the appellate court in the reversed decision had elevated its perception of policy over statutory language and thus violated "important doctrines of statutory language and thus violated "important doctrines of statutory construction."

Because the language of § 526 has a clear meaning that does not turn on the presence or absence of foreign affiliates, it would be improper to revise that language on "policy" grounds. Moreover, the policy premise upon which 47th Street Photo argues for such interpretation is unsound. The correct policy considerations are here only summarized because without doubt they will be set out again in other briefs before this Court.

The established law in the United States is that trademarks are territorial—that is, recognized and enforced within the territory of a nation. *COPIAT v. United States*, 790 F.2d at 910. The territoriality principle allows trademark owners, like the *amici*, to compete in various foreign markets with products and marketing strategies appropriate to tastes and requirements in those markets but under the same trademark symbol as used in the United States. Among the *amici*, for example, the Dial Corporation, Johnson & Johnson, and The Procter & Gamble Company so tailor their products to local tastes and demands.[4]

An American consumer who purchases a gray-market good in reliance on the trademark may be in for a disappointment if, for example, the product has been fashioned to suit foreign tastes, quality levels, or local legal requirements. In addition to deceiving the consumer, that disappointment also unfairly injures the good-will that, with toil and coin, the American trademark owner has

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[4] *Gray Market Imports: Hearing Before the Subcommittee on International Trade of the Committee on Finance*, 99th Cong., 2d Sess., 9, 19, 69 (1986).

built up for the American trademark. That competitive injury to the trademark owner is clear where the gray-market goods are less desirable, and the customer's disappointment tarnishes the reputation of the genuinely trademarked goods. But the injury is palpable even where the gray-market goods are of comparable quality: those who deal in gray-market goods "free ride" on the good-will the legitimate trademark owner has created in the United States.

The commercial and economical reality acknowledged by territoriality is that incentives are provided within a given market area to introduce products, maintain their quality, advertise and establish distribution, service the products and their customers well and thus achieve the good-will symbolized by the trademarks. To allow others to enter a market using the trademark whose value has been created by its owner *in that market* allows the interloper a "free ride" and diminishes the incentive of trademarks.

The argument advanced by 47th Street Photo would undercut the territoriality principle by penalizing American firms for seeking to compete vigorously in foreign markets. Sound policy requires, however, that American firms be encouraged to compete vigorously both here and abroad—using foreign affiliates, subsidiaries, and licensees as business requires—without putting at risk the protection of § 526. The flat language of § 526 serves that policy.

CONCLUSION

There is no evidence that Congress intended in § 526 of the Tariff Act to penalize American firms for competing effectively abroad. The plain language of that section provides legal support to American companies competing abroad, and that protection should not be removed upon a fanciful and late-appearing theory of statutory interpretation.

This Court should hold that § 526 means what it says and affirm.

Respectfully submitted,

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